



**CORPORATE GOVERNANCE COMMITTEE – 25 NOVEMBER
2020**

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
INTERNAL AUDIT SERVICE PROGRESS REPORT

Purpose of Report

1. The purpose of this report is to: -
 - a. provide a summary of work conducted during the period 11 July to 6 November 2020 to include an update on how the coronavirus has affected the Internal Audit Service.
 - b. report on progress with implementing high importance recommendations.

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the internal audit function, which is provided by Leicestershire County Council's Internal Audit Service (LCCIAS). To do this, the Committee receives periodic reports on progress against the annual Internal Audit Plan.
3. Most planned audits undertaken are of an 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are of a 'consulting' type, which are primarily advisory and guidance to management. These add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Also, unplanned 'investigation' type audits may be undertaken. Internal audit staff also undertake other control environment related work.

Summary of work undertaken

4. **Appendix 1** provides a summary of work undertaken between 11 July and 6 November 2020.
5. For assurance audits (pages 1 and 2 of Appendix 1) an 'opinion' is given, i.e. what level of assurance can be given that material risks are being managed. There are usually four levels: full; substantial; partial; and little. 'Partial' ratings are normally given when the auditor has reported at least one high importance

recommendation, which would be reported to this Committee and a follow up audit would ensue to confirm action had been implemented. Occasionally, the auditor might report a number of recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.

6. It's noticeable during this period that seven Covid-19 grants were audited, and certifications returned to Government departments. Grant determinations require the Head of Internal Audit Service (HoIAS) to conduct an audit and certify that to the best of his knowledge and belief, and having carried out appropriate investigations and checks, in his opinion, in all significant respects, the conditions attached to the grant have been complied with. The Chief Executive normally has to sign also. It is likely a high number of grant certifications will continue through the remainder of the year.
7. LCCIAS also undertakes consulting/advisory type audits (pages 3 to 5). Where these incur a reasonable amount of resource, they are also included. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies.
8. Pages 6 to 8 of Appendix 1 provides information on: -
 - a. Where LCCIAS either undertakes itself or aids others with unplanned investigations. These are not reported to the Committee until the outcome is known. This period, no investigations were started or concluded.
 - b. 'Other control environment/assurance work', which gives a flavour of where internal auditors are utilised to challenge and improve governance, risk management and internal control processes which ultimately strengthens the overall control environment.
 - c. where LCCIAS auditors are utilised to undertake work assisting other functions
9. In order to remain effective, LCCIAS staff regularly attend training and development events and both midlands and national internal audit network events. A summary of events attended during the last quarter is shown on pages 9 and 10. It is interesting to note the emphasis on developments linked by Covid-19 i.e. fraud related and remote working/technological improvements.
10. The Service continues to provide consulting and assurance audit work to management on changes to systems and processes to manage a response to Covid-19 and has undertaken a range of counter fraud activities over the summer. The change to remote auditing has been successful and all staff are now trained to offer the use of data analytics in the audit scope. There continues to be good advice and information sharing amongst colleagues in other local authorities and from CIPFA and the Institute of Internal Auditors.

Progress with implementing high importance recommendations

11. The Committee is also tasked with monitoring the implementation of high importance recommendations. **Appendix 2** details high importance (HI) recommendations and provides a short summary of the issues surrounding these. The relevant manager's agreement (or otherwise) to implementing the recommendation and implementation timescales is shown. Recommendations that have not been reported to the Committee before or where LCCIAS has identified that some update has occurred to a previously reported recommendation are shown in **bold font**. Entries remain on the list until the auditor has confirmed (by specific re-testing) that action has been implemented.

12. To summarise movements within Appendix 2: -
 - a. **New**
 - i. Adults & Communities/Corporate Resources – Health Recharges for Hospital Discharges
 - ii. Adults & Communities – Direct Payments (2)

 - b. **In progress (extended)**
 - i. Corporate Resources - Leicestershire Schools Music Service (recommendation 4 only)
 - ii. Children & Family Services - Burbage CE Infant School (extended)
 - iii. Consolidated risk – Records management (recommendation 2 only)
 - iv. Consolidated risk – ICT externally hosted contracts
 - v. Consolidated risk – Rights of audit in procurement contracts
 - vi. Consolidated risk – Gifts and hospitality registers

 - c. **Closed**
 - i. Corporate Resources - Property Contracts Awards – note the HoIAS has decided this area will be revisited following a department restructure
 - ii. Children and Family Services – Early years funding

Resource implications

13. There are no resource implications arising directly from this report.

Equality and Human Rights Implications

14. There are no discernible equality and human rights implications resulting from the audits listed.

Recommendation

15. That the contents of the routine update report be noted.

Background Papers

The Constitution of Leicestershire County Council

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1187&MId=6195&Ver=4&Info=1>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- Appendix 1 - Summary of Internal Audit Service work undertaken between 11 July and 6 November 2020.
- Appendix 2 - High Importance Recommendations at 6 November 2020